

Message Text

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ACTION AF-07

INFO OCT-01 EUR-12 NEA-06 ISO-00 AID-05 CIAE-00 COME-00

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FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 3174

INFO AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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TAGS: EINV EIND MR SA KU

SUBJECT: PETRODOLLARS AND THE MAURITANIAN METALS INDUSTRY

REF: NOUAKCHOTT A-65 (NOTAL)

SUMMARY: IN WAKE OF NOVEMBER 28 NATIONALIZATION OF MIFERMA, GIRM HAS CALLED UPON ARAB FRIENDS (SAUDI AND KUWAITI) TO SAVE MINING COMPANY FROM FOUNDERING. GOVERNMENT ALSO SEEKING FUNDS TO ESTABLISH MAURITANIAN METALS INDUSTRY WITH VALUE OF NEW PLANT AND EQUIPMENT ESTIMATED AT ONE BILLION DOLLARS. END SUMMARY.

1. SINCE NATIONALIZATION NOV. 28 OF PREDOMINATELY FRENCH-OWNED IRON MINE, MIFERMA, GIRM HAS RECEIVED NO REVENUE TO OFFSET MONTHLY OPERATING EXPENSES OF DOLLARS

2.2 MILLION PER MONTH AND STVRT TERM DEBTS TOTALING DOLLARS 20.4 MILLION. DESPERATE TO KEEP EXPERIENCED EXPATRIATE WORKERS ONBOARD AS WELL AS MAINTAIN GOOD CREDIT RATING, GIRM DISPATCHED FOMIN MOUKNASS

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TO SAUDI ARABIA DECEMBER 13 SEEKING FUNDS TO KEEP MINES

OPERATING. FOUR DAYS LATER SNIM (SOCIETE NATIONALE INDUSTRIELLE ET MINIERE), GIRM'S INDUSTRIAL HOLDING COMPANY AND NEW OWNER OF EX-MIFERMA, WAS CREDITED WITH DOLLARS 10.6 MILLION FROM SAUDI FUND. REMAINING MONEY REQUIRED RAISED THROUGH LOCAL BANKS.

2. DESPITE DIFFICULTY KEEPING FORMERLY PROFITABLE MIFERMA AFLOAT, GIRM IS PRESSING AHEAD WITH GRANDIOSE PLANS FOR GOVERNMENT (SNIM) OWNED METALS INDUSTRY INCLUDING NEW PLANT AND EQUIPMENT WORTH ONE BILLION DOLLARS. ARAB PATRONS IN THIS VENTURE ARE KUWAITI. DECEMBER 16 GIRM ANNOUNCED CREATION OF KUWAITI-MAURITANIAN METALS COMPANY CAPTIALIZED AT DOLLARS 20 MILLION TO SEEK INVESTMENT FUNDS FOR COPPER REFINERY HAVING 30,000 TON CAPACITY AND INTEGRATED STEEL MILL WITH ONE MILLION TON CAPACITY. FEASIBILITY STUDY BY US FIRM, H. K. FERGUSON (SUBSIDIARY OF MORRISON-KNUDSEN), WAS RECENTLY COMPLETED FOR BOTH FACTORIES. SOURCE AT SNIM SAYS GIRM KNOWS SUMS INVOLVED ARE MORE THAN ARAB FRIENDS WILLING INVEST AND THAT REMAINDER MUST BE SOWHT IN EUROPE, US OR JAPAN. GIRM HOPES KUWAITI INVESTMENT AND CO-SPONSORSHIP OF METALS INDUSTRY WILL ATTRACT INVESTORS. APPROXIMATELY ONE BILLION DOLLAR PROJECT INCLUDES 300 MILLION FOR MINING AND CONCENTRATING ALMOST UNLIMITED BUT LOW GRADE IRON ORE AT MIFERMA MINE IN ZOUIRAT, 700 MILLION FOR INTEGRATED STEEL MILL AND 65 MILLION FOR COPPER REFINERY. SHINN

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